U.S. Small Business Administration

Surety Bonds

The SBA provides financial security to small businesses by assuring project owners that contractors will perform their contractual obligations through the issuing of surety bonds.

What is a Surety Bond?

A surety bond ensures contract completion in the event of contractor default. A project owner (called an obligee) seeks a contractor (called a principal) to fulfill a contract. The contractor obtains a surety bond from a surety company. If the contractor defaults, the surety company is obligated to find another contractor to complete the contract or compensate the project owner for the financial loss incurred.

Three Types of Surety Bonds

Under the program, SBA guarantees three types of surety bonds:

Bid Bond

This bond guarantees that the bidder will be able to obtain payment and performance bonds if they are awarded the contract.

Payment Bond

Assures that suppliers and subcontractors will be paid.

Performance Bond

Guarantees that the contract will be completed.

What is SBA's Role with Surety Bonds?

The mission of SBA's Office of Surety Guarantees is to provide and manage surety bond guarantees for qualified small and emerging businesses, in direct partnership with surety companies.

SBA helps small contractors by guaranteeing bid, performance, and payment bonds issued by participating surety companies for contracts up to $6.5 million. SBA can guarantee a bond for a contract up to $10 million if a Federal contracting officer certifies that SBA's guarantee is necessary for the small business to obtain bonding.

What Fees Are Charged For SBA Bond Guarantees?

SBA charges the small business 0.729% of the contract price for a payment or performance bond. There is no charge for a bid bond. SBA charges the surety company 26% of the fee the surety company charges the small business.

What is the application process for an SBA Surety Bond Guarantee?

Pro Tip: Applying for an SBA-backed Surety Bond is reviewed in under two (2) days on average, thanks to the online e-App system.

1. First choose a surety company or bonding agent who represents a participating surety company.
2. Then, complete the surety's application and provide the necessary credit, capacity and character information.
3. The surety or agent will underwrite the application and decide whether to issue the bond, and whether an SBA guarantee is required.
4. If the surety company requires an SBA guarantee as a condition of issuing the bond, the business can submit applications by paper or online through the E-App System (https://eweb.sba.gov/gls/dsp_sbabanner.cfm)

Eligibility Requirements:

- The business must be classified as 'small', according to SBA's Size Standards.
- The business must demonstrate need of an SBA guarantee in order to obtain a bond.
- The size of the contract must not exceed $6.5 million, or $10 million if a Federal contracting officer certifies that SBA's guarantee is necessary to obtain bonding.
- The business must satisfy credit, capacity and character evaluations completed by the surety company or an agency representing the surety company.
- There must be a reasonable expectation of successful contract performance.
- The contract must require a bond.